

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 IO-11 AGR-05 COME-00 STR-04

TRSE-00 L-03 OMB-01 CIAE-00 INR-07 NSAE-00 OIC-02

PA-01 PRS-01 USIA-06 SS-15 NSC-05 H-02 SP-02 AID-05

CIEP-01 CEA-01 ITC-01 AF-06 ARA-06 EA-07 NEA-10 /122 W

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R 171848Z FEB 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9052

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E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: SUGAR -- ISO ADVISORY GROUP MEETINGS

REF: LONDON 19524

1. SUMMARY: INTERNATIONAL SUGAR ORGANIZATION (ISO) ADVISORY GROUP ON NEW SUGAR AGREEMENT MET FEBRUARY 9 - 13, CHAIRED BY EXECUTIVE DIRECTOR JONES-PARRY. SEVENTEEN COUNTRIES REPRESENTED, INCLUDING US OBSERVER, BUT EXCLUDING EC. CONCENS.USDRAFTS FROM 1973 NEGOTIATIONS, WITH MINOR ALTERATIONS, SERVED AS BASE FROM WHICH THE GROUP WORKED. GROUP SHOWED STRONG PREFERENCE FOR A "TRADITIONAL-TYPE" AGREEMENT, WITH SUPPLY MANAGEMENT THROUGH EXPORT QUOTA SYSTEM, AND POSSIBILITY OF SOME "MINIMUM STOCK" TO PROTECT ON HIGH SIDE. SECRETARIAT TO INCORPORATE DELIBERATIONS OF ADVISORY GROUP INTO NEW DRAFT FOR CONSIDERATION BY CONSULTATIVE COMMITTEE AND COUNCIL APRIL 8-15. THE AIM REMAINS FOR A NEGOTIATING CONFERENCE IN GENEVA BEGINNING SEPTEMBER 13, 1976; ALTHOUGH POSSIBILITY OF SLIPPAGE INTO 1977 RECOGNIZED. E//ND QUMMARY.

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2. AT INVITATION OF ISO EXECUTIVE DIRECTOR JONES-

PARRY (REFTEL), U.S. OBSERVERS (THIGPEN AND WARREN) PARTICIPATED IN THE MEETING OF THE SPECIAL ADVISORY COMMITTEE ON NEGOTIATION OF A NEW SUGAR AGREEMENT, FEBRUARY 9 - 13. COMMITTEE IS AN INFORMAL BODY SET UP TO ADVISE EXECUTIVE DIRECTOR ON DOCUMENTATION FOR SUGAR NEGOTIATIONS TENTATIVELY SCHEDULED TO START IN GENEVA, SEPTEMBER 13. REPRESENTATIVES OF SEVENTEEN COUNTRIES ATTENDED, FROM ALL MAJOR ISO MEMBER EXPORTERS AND IMPORTERS. THE EC, HOWEVER, DECLINED TO BE REPRESENTED BY AN OBSERVER DELEGATION, PLEADING INABILITY TO REACH AGREEMENT ON A POSITION IN TIME. CANADA AND JAPAN LED THE DISCUSSION FOR IMPORTERS WITH OCCASIONAL SUPPORT FROM SWEDEN. WHEREAS, USSR, MALAYSIA AND PORTUGAL MAINTAINED A LOW PROFILE. AUSTRALIA, CUBA, GUATEMALA AND MAURITIUS WERE THE EXPORTERS LEADING SPOKESMEN, WITH BRAZIL AND SOUTH AFRICA RELATIVELY QUIET. USDEL REITERATED US INTEREST IN PARTICIPATION IN ANY FORTHCOMING SUGAR NEGOTIATION, PROMISED TO PARTICIPATE CONSTRUCTIVELY "IN INDIVIDUAL CAPACITY" DURING ADVISORY COMMITTEE MEETINGS, AND EXPRESSED HOPE INFORMAL DELIBERATIONS WOULD HELP IN DEVELOPMENT OF FIRM NEGOTIATING POSITIONS. WE NOTED, HOWEVER, THAT AT THIS STAGE, AT LEAST, WE WOULD LOOK TO OTHERS TO TAKE LEAD.

3. AS WORKING DOCUMENT SECRETARIAT PRODUCED AN INITIAL DRAFT TEXT OF MAJOR ARTICLES BASED PRINCIPALLY UPON "CONCENSUS TEXTS" OF 1973 ABORTIVE NEGOTIATIONS. DELEGATES HAD CONSIDERABLE DIFFICULTY WITH FORMAT, BUT FOR WANT OF AN ALTERNATIVE, THIS DOCUMENT FORMED BASIS OF DISCUSSION. FOR ANALYTICAL EASE, MEETING AGREED TO CONSIDER DOCUMENT IN CONTEXT OF FOLLOWING AGENDA:

- A) QUOTA MECHANISM
  - 1) ESTABLISHMENT OF GLOBAL QUOTAS
  - 2) ESTABLISHMENT OF QUOTA SHARES IN THE MARKET (AS A PERCENTAGE OF THE MARKET)
  - 3) ADJUSTMENT OF QUOTAS IN RESPONSE TO CHANGES IN TRIGGER POINTS
  - 4) FLEXIBILITY IN APPROACH TO ANNUAL QUOTAS IN THE LIGHT OF PAST PERFORMANCE
  - 5) ADHERENCE TO QUOTAS AS REGARDS BOTH UNLIMITED OFFICIAL USE

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- SHIPMENTS AND OVERSHIPMENTS
- 6) SHORTFALLS AND THEIR DISTRIBUTION
- B) MEANS OF PROTECTING CEILING (FUNCTION OF MINIMUM STOCKS, SUCH AS KIND, SIZE, INSURANCE OF EXISTENCE, RELEASE, REPLENISHMENT, ETC.)
- C) MEANS OF PROTECTING FLOOR PRICE
- D) COMMITMENTS OF IMPORTERS IN RESPECT OF PURCHASES (INCLUDING ACCESS COMMITMENTS) AND OF

EXPORTERS IN RESPECT OF SUPPLIES

- E) PRICE PROBLEMS (INCLUDING PRICE RANGE, TRIGGER MECHANISM, ADJUSTMENTS FOR INFLATION, POSSIBLE INDEXATION, PREVAILING PRICE, ETC.)
- F) LIMITATION ON IMPORTS FROM NON-MEMBERS
- G) INFORMATION SYSTEMS
- H) DURATION OF THE AGREEMENT

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- I) BASIS FOR DETERMINATION OF BASIC EXPORT TON-NAGES, SPECIAL ARRANGEMENT PROVISIONS AND SIZE OF THE FREE MARKET.

4. WITH THE EXCEPTION OF MAURITIUS, THERE WAS NO INTEREST IN INTRODUCTION OF AN INTERVENTION OR BUFFER STOCK TYPE OPERATION FOR SUGAR; RATHER, FOCUS WAS ON A TRADITIONAL, QUOTA-TYPE AGREEMENT, POSSIBLY WITH A SMALL MINIMUM GUARANTEE STOCK AND A SYSTEM OF SUPPLY COMMITMENTS FOR CONSUMER PROTECTION. CONSUMERS INSISTED UPON A FLEXIBLE AGREEMENT WHICH WOULD INSURE ADEQUATE SUPPLIES DURING SHORT CROP YEARS WHILE AVOIDING "PAPER

QUOTAS." THEY REJECTED CONCEPT OF PURCHASE COMMITMENTS (INTRODUCED BY SECRETARIAT AS COUNTERBALANCE TO SUPPLY COMMITMENTS), BUT RESTATED NEED FOR SUPPLY COMMITMENTS. JAPAN STRESSED THIS AS ESSENTIAL ELEMENT. US OBSERVER NOTED PROBABILITY OF LEGAL AND INSTITUTIONAL PROBLEMS WITH PURCHASE COMMITMENTS, BUT OTHERWISE DID NOT ENTER DEBATE.

5. THERE SEEMED TO BE ACCEPTANCE OF VIEW THAT ANY LIMITED OFFICIAL USE

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NEW AGREEMENT SHOULD AVOID "FINE-TUNING" (TERM INTRODUCED BY AUSTRALIA), I.E., THAT MARKET FORCES SHOULD BE ALLOWED SWAY WITHOUT TOO MANY ADJUSTMENT MECHANISMS (SECRETARIAT DOCUMENT WAS FAULTED ON POINT). AT LEAST ONE EXPORTER (MAURITIUS) SUPPORTED VIEW THAT QUOTAS SHOULD BE SUSPENDED ENTIRELY ABOVE A CERTAIN POINT; NO DELEGATE CHALLENGED CONCEPT.

6. OTHER POINTS INCLUDED:

- A) CONSUMER INSISTENCE UPON BETTER INFORMATIONAL AND POLICING SYSTEMS;
- B) EXPORTER INTEREST IN COST-SHARING FOR ANY MINIMUM STOCK AGREEMENT (US POINTED OUT OUR DIFFICULTIES WITH COST-SHARING CONCEPT).
- C) CONSENSUS FOR 5 TO 7 YEAR AGREEMENT. NO ACCEPTANCE OF SECRETARIAT'S PROPOSAL OF 5 YEAR ROLLING AGREEMENT.
- D) LITTLE DISCUSSION OF SDR USE VS THE DOLLAR, OR OF INDEXATION.

7. BRAZIL NOTED THAT THE QUESTION OF MARKET SHARING WAS A FUNDAMENTAL ONE WHICH SHOULD BE ADDRESSED BY THE PRODUCERS THEMSELVES IN THE FIRST INSTANCE. AN EFFORT BY COSTA RICA TO CAUCUS EXPORTERS ON THIS POINT, HOWEVER, WAS REBUFFED BY CUBA. EXPORTERS WERE NOT ONLY CONCERNED WITH HOW TO CUT PIE, BUT ALSO ITS SIZE. CUBA, WITH SOME SUPPORT FROM MAURITIUS INSISTED THAT GOVERNMENT-TO-GOVERNMENT SUPPLY COMMITMENTS BE EXCLUDED IN CALCULATING BASIC EXPORT TONNAGES, WHILE OTHER LONG-TERM CONTRACTS SHOULD BE INCLUDED. OTHER EXPORTERS OPPOSED.

8. AT END OF DISCUSSIONS, JONES-PARRY ANNOUNCED ISO WOULD PREPARE A NEW DOCUMENT REFLECTING VIEWS EXPRESSED WHICH WOULD BASICALLY BE A NEW ANNOTATED DRAFT TEXT OF POSSIBLE ECONOMIC PROVISIONS. IT WAS AGREED TO HOLD AN ADDITIONAL MEETING OF THE COMMITTEE APRIL 6-7, WITH THE UNDERSTANDING THAT TIME WOULD NOT PERMIT FURTHER CHANGES PRIOR TO SUBMISSION TO A FURTHER MEETING OF THE CONSULTATIVE COMMITTEE.

SAME WEEK. A FURTHER MEETING OF THE CONS./TAT E COM-MITTEE AND COUNCIL WILL PROBABLY BE SCHEDULED FOR LIMITED OFFICIAL USE

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JUNE 16-18.

9. COMMENT: THIS MEETING PROVIDED AN OPPORTUNITY FOR A REASONABLY GOOD TECHNICAL DISCUSSION. DECISION ON A DATE FOR NEGOTIATION WILL COME UP FOR DISCUSSION DURING THE APPIL MEETINGS.

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